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SUSTAINABLE DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION: BUSINESS AND DEVELOPMENT

Entrepreneurship and privatization for economic growth and sustainable development

Report of the Secretary-General

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I. INTRODUCTION

1. The present report is submitted in response to General Assembly resolution 48/180 of 21 December 1993 on entrepreneurship and privatization for economic growth and sustainable development, in which the Assembly requested the Secretary-General, inter alia, to prepare a biennial report, in consultation with the heads of relevant organs, organizations and programmes of the United Nations system, on policies and activities related to entrepreneurship, privatization, demonopolization and administrative deregulation.

2. As at 25 July 1995, 21 organizations (see annex I), out of 37 requested, had provided inputs to the report. The high response rate is indicative of the importance the United Nations system attaches to the promotion of entrepreneurship and privatization, as well as of the wide range of activities where such promotion can be applied. Depending on the organizations involved, work in this area runs the full gamut of research and analysis, technical assistance, financial support, institution-building and information and training. This broad interest is further exemplified in annex II, which provides a listing of the various publications issued by the organizations concerned.

II. SETTING

3. The private sector's contributions towards economic growth and sustainable development are numerous and multifaceted. An active and growing private sectors - whether small-, medium- or large-sized operations - is the principal means by which a society generates employment, creates wealth and promotes material well being of its population. Its contribution towards the alleviation of poverty can be substantial. Furthermore, a free and vibrant private sector contributes to human development by opening up opportunities and options for people to choose occupation, consumption and investments. An equally important factor is that a flourishing private sector will become the main generator of resources in society and contribute to a stable and growing revenue base from which Governments can draw resources to develop and operate other mechanisms, systems and activities supporting economic growth and sustainable development. As a result, the role of the market has been put to the fore in national and international policy discussions, as it has been increasingly recognized that market-based approaches may often present a more effective means of performing activities that were originally undertaken by the State or in quasi-public organizations.

4. Entrepreneurship is a crucial component of a decentralized, market-based approach to the efficient organization of economic activity. Virtually all successful private enterprises of all sizes in all sectors of an economy, in the developed and developing worlds, originate from the efforts of individual or small groups of entrepreneurs. The prospect for entrepreneurship in most developing countries has improved remarkably as distortions created in the past are diminishing substantially. The elimination of such distortions will foster sound entrepreneurship for the benefit to societies. A corollary to this

situation is that the receding nature of the State in the economies in developing countries also propels greater entrepreneurship as State dominance diminishes and as new opportunities occur with privatization.

5. Recent years have seen a significant and continuing movement from State control of production facilities to private ownership. The privatization movement has targeted not only manufacturing plants but also activities ranging from financial services to infrastructure. Two factors are driving privatization primarily. First, Governments are finding that State-owned enterprises are a drain on their fiscal accounts at a time when generating revenues is difficult. Furthermore, the realization that public sector companies are simply unable to provide many types of services often motivates the move to privatize.

6. However, it is important to recognize that policies to foster entrepreneurship, as well as those regarding privatization, demonopolization and deregulation have often been met by unforeseen problems of an economic, social and political nature. For example, privatization, deregulation or demonopolization of previously public activities must be followed by additional policies to ensure that, for example, public monopolies do not turn into private ones with the only difference being that monopoly rents flow to private owners instead of public ones. Labour-market deregulation may have unforeseen results regarding wage diversion and deteriorating social cohesion. Often deregulation necessitates enhanced policies to strengthen corporate governance systems and generate mechanisms of public accountability. Indeed, corruption, tax evasion and even the exploitation of public resources for private ends have become serious problems in a number of countries.

7. As a result, consensus is growing that a balance has to be struck between the role of the market and the Government, with the latter creating the enabling environment for harnessing market forces for the economy to reach its maximum productive potential. An enabling environment includes the provision of an adequate social and economic infrastructure, including, for example, good transportation and communication facilities, efficient and non-discriminatory banking and financial institutions and an open trading and investment regime. The private sector may in fact implement a large part of the enabling environment, for example, by building, maintaining and operating roads, ports and bridges, and creating banks and other financial institutions. It is necessary for Government to take the lead in creating the enabling environment, especially in terms of the legal framework, without generating the negative side-effects of rent-seeking, private monopoly and corruption. While it has been recognized that the role of the market and Government is dependent on the prevailing socio-economic environment in particular countries, it is far from clear exactly where that balance lies. Indeed, it is an urgent area for public policy work.

III. SCOPE OF THE REPORT

8. In view of the large volume of contributions as well as the variety of activities among and within the organizations concerning entrepreneurship, privatization, demonopolization and administrative deregulation, the present

report has been organized along three main sections. In section IV, the focus is on strengthening activities in the United Nations system including through improved coordination as related to entrepreneurship, privatization, demonopolization and administrative deregulation. Section V addresses technical assistance carried out by the various organizations as regards the development of national capacities, implementation of privatization policies and creating enabling environments. Section VI deals with the issue of partnership between private and public entities and the extent to which the United Nations system contributes to forging this partnership.

9. The contributions by the various organizations have been organized according to these three sections in order to provide the reader with a clearer understanding of the variety and scope of activities carried out by the United Nations system in the field of entrepreneurship and privatization. Information contained in these sections is drawn entirely from material provided by the organizations concerned. Consequently it reflects their own assessment of their activities.

IV. STRENGTHENING ACTIVITIES OF THE UNITED NATIONS SYSTEM, INCLUDING THROUGH BETTER COORDINATION

A. Promotion of entrepreneurship

Economic and Social Commission for Western Asia

10. ESCWA activities are directed towards promoting small- and medium-size enterprises (SMEs) and privatization, which are priority areas in the ESCWA medium-term plan and the related work programmes. Governments in the region increasingly recognize privatization programmes as an effective means to increase efficiency and enhance the performance of public enterprises. ESCWA has recognized as an important part of industrial development policy the need to provide support to potential entrepreneurs, especially in the identification and establishment of viable operations; and also the need to provide support services and assistance to existing entrepreneurs. ESCWA has addressed these issues in close cooperation with the United Nations Development Programme (UNDP) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

International Labour Organization

11. ILO involvement in the area of entrepreneurship and small enterprise promotion began in the 1970s as an important and integral part of its Management Development Programme and is closely related to the work under the World Employment Programme. The entrepreneurship and small enterprise programme operates at the following levels: (a) activities concerned with the creation of a policy, regulatory and cultural environment that supports entrepreneurship and small enterprise development; (b) activities aimed at building capacity among ILO constituents (Governments, employers and worker organizations) and other national actors in their efforts to provide support services to small-scale enterprises; and (c) the development of various training packages and other resource materials that can be cost-effectively adapted to local conditions and

circumstances by ILO constituents and others with a commitment to promoting quality employment through development of small enterprises.

12. ILO is a founding member of the Committee of Donor Agencies for Small Enterprise Development, which has as one of its objectives the coordination of work by various donors and agencies (including UNDP, the United Nations Industrial Development Organization (UNIDO) and the World Bank) active in the entrepreneurship and small enterprise development area. The Committee is an important forum for exchange of information on global activities and lessons learned in this area.

13. ILO assisted the United Nations Conference on Trade and Development (UNCTAD) with the preparation of a technical paper for the April 1995 meeting of the ad hoc working group on the role of enterprises and development. This paper analyses the relationship between the development of a domestic entrepreneurial capacity, in particular the development of SMEs and the development process.

United Nations Industrial Development Organization

14. In UNIDO, entrepreneurship development has been so far applied as a specialized form of human resource development intervention related to selecting, training and coaching of individual owners/managers, enabling them to make use of better support facilities and improving their access to information, finance, markets, technology transfer and investor resources. In the process, policy issues and institutional measures are addressed. Thus, entrepreneurship development has been viewed as an integral aspect of a comprehensive and integrated approach with particular emphasis on mainstreaming women and developing SMEs as well as in the form of "intrapreneuring" for addressing restructuring State-owned enterprises (SOEs) or other large-scale firms.

15. An SME Branch was established in the beginning of 1994, in line with the new priorities of the structural reform, which is responsible for the coordination of UNIDO activities on SMEs, in cooperation with other services and units of UNIDO. The essence of the UNIDO SME Programme is a focused contribution towards meeting the challenge of SMEs to achieve their full potential and maximize their contribution to industrial modernization, to upgrade their productivity and competitiveness through continuous learning and product/process innovation. The entrepreneurs themselves remain the principal actors, who start or expand a business and become successful contributors to development when operating in an enabling environment.

16. Better networking with other bilateral and multilateral development institutions/donors (including within the United Nations system) involved in SME promotion and its financing is a key element of the UNIDO SME programme. This relates to both "upstream" and technical cooperation activities, facilitates the exchange of lessons from experience on the effectiveness of support mechanisms and ensures complementarity of support activities. Such cross-fertilization of resources, approaches and experiences is being actively pursued.

17. Besides the comprehensive SME development activities, UNIDO addresses entrepreneurship development activities and concerns within the Human Resource Development Programme, as a module in target group oriented technical

cooperation projects, in the "intrapreneuring form" for the creation of independent business units in large-scale industrial enterprises, or for spin-offs in the privatization and restructuring processes. In combination with the latter, entrepreneurship development activities form an important component in safety net facilities, together with training and re-skilling.

B. Promotion of privatization programmes

Department for Economic and Social Information and Policy Analysis of the Secretariat

18. As part of its regular activities, the Department undertakes research and policy analyses related to private sector development and the deregulation of economic activity, often in consultation or cooperation with other United Nations agencies, other international organizations and international experts. Its research and analysis of developments in this area serve as input and follow-up to discussions and deliberation in United Nations legislative bodies and forums, such as the United Nations Conference on Environment and Development, the World Summit for Social Development and the Second United Nations Conference on Human Settlements (Habitat II), and as general guidance to policy makers actually planning and implementing privatization and deregulation policies.

19. Ongoing activities in the area of entrepreneurship, privatization and deregulation include (a) quantitative analysis and policy-oriented studies on the role of regulation, deregulation and privatization in the context of economic reforms in developing and developed countries and countries with economies in transition; (b) qualitative analyses and policy-oriented studies of privatization and regulation of public utilities in selected developing, developed and countries with economies in transition; (c) studies on the role of the firm, demonopolization, the functioning of markets and related issues that arise from the incidence of market failure; and (d) improvement of information on SME's and on the organization of industry.

Economic and Social Commission for Asia and the Pacific

20. ESCAP activities have focused on private sector development and privatization, investment promotion, small- and medium-scale industry development, and development of women entrepreneurial skills and are mandated by (a) the Seoul Plan of Action for Promoting Industrial Restructuring in Asia and the Pacific, adopted in 1992 by the Commission at its forty-eighth session, in Beijing; (b) the Regional Strategy and Action Plan for Industrial and Technological Development in Asia and the Pacific, adopted in 1992 by the Meeting of Ministers of Industry and Technology at Tehran; (c) the Action Programme for Regional Economic Cooperation in Trade and Investment, endorsed in 1993 by the Commission at its forty-ninth session; and (d) the Action Programme for Regional Economic Cooperation in Investment-related Technology Transfer, endorsed in 1994 by the Commission at its fiftieth session.

United Nations Conference on Trade and Development

21. Three UNCTAD intergovernmental bodies and one United Nations conference have dealt with the issues of privatization, enterprise development and restrictive business practices (demonopolization). These are (a) the Ad Hoc Working Group on Comparative Experiences with Privatization; (b) the Ad Hoc Working Group on the Role of Enterprises in Development; and (c) the Intergovernmental Group of Experts on Restrictive Business Practices and the United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices.

22. The Ad Hoc Working Group on Comparative Experiences with Privatization was established in 1992. The Group attracted considerable interest from Governments and national experts on privatization. At its fourth and final session, held in April 1994, the Ad Hoc Working Group adopted a set of Indicative Elements for Consideration in the Formulation of Privatization Programmes, which reflects the lessons learned and insights gained from practical privatization experiences and lists guidelines and options for the formulation and implementation of privatization policies. It also spells out the essential conditions for successful privatization strategies. These conditions include the promotion of transparency and accountability in the privatization process, the fostering of competition and regulation, and the building of a broad-based political and social consensus by giving sufficient attention to the social aspects.

23. The work of the Ad Hoc Working Group generated about 50 country studies, technical papers prepared by panellists and papers prepared by the secretariat, including a cross-country study, issues papers on selected topics, summaries of the discussions of the Ad Hoc Working Group on various issues, an annotated bibliography on privatization and a survey of the activities of international organizations in the area of privatization, in addition to the Directory of National Focal Points on Privatization. This substantive documentation provides important material for research work and policy development.

United Nations Development Programme

24. There has been an increase in requests from Governments seeking advice and support from UNDP to develop national support programmes for private sector development. This trend can be observed from the theme areas of requested assistance outlined in the country programmes of the fifth cycle. A number of reasons for this rising trend can be discerned. Firstly, UNDP is recognized as a neutral actor in the development arena providing technical assistance without conditionalities. Secondly, the cross-cutting themes of its assistance with its focus on capacity-building, human development and sustainability usually coincide well with government criteria for national development undertakings. The new emphasis on the "programme approach" further opens up opportunities to link private sector support programmes to other related areas and to provide for larger programmes of cohesive, comprehensive private sector support. Finally, the UNDP position as the coordinator of multilateral technical assistance in the development community also creates opportunities to link efforts, resources and skills with that of other development agencies in this field, such as ILO, UNIDO, UNCTAD and the multilateral financial institutions.

Food and Agriculture Organization of the United Nations

25. Farmers, fisherfolk and foresters as private entrepreneurs are the ultimate beneficiaries of FAO field activities. Its activities in the area of privatization have tended to focus on aspects relating to agricultural policy assistance, agro-industrial development, preparation of investment projects in a vast range of agricultural and rural development domains (including agro-industry), support services and rural institutions, rural finance, agricultural marketing and animal production and health.

International Fund for Agricultural Development

26. IFAD provides concessional loans to developing countries for the eradication of poverty and malnutrition in rural areas. Agriculture in the broad sense constitutes its sectoral focus. Although borrowers are Governments and project implementation remains the responsibility of Governments, IFAD simultaneously attempts to strengthen the sustainability of its poverty alleviation efforts by incorporating the private sector dimension into its activities. Thus, IFAD aims at directly enhancing the private productive capacity of small farmers or micro-entrepreneurs.

27. IFAD is also attempting to shift towards a more private sector initiative by directly facilitating the private supply of producer services and to trigger a supply response from the private sector. To facilitate this, particularly in the take-off stage of supply response, IFAD has encouraged the establishment of private groups of service suppliers to meet private groups of producers in the market. This approach focuses on self-help and local resource mobilization and privatizes development.

28. The Fund's main challenge is to convert its loans to the public sector into private investment. Its second challenge is to identify the most cost-effective techniques in which a higher proportion of its loans to Governments can be directly channelled to small private producers, its primary clientele, the smallholder farmers and the micro-entrepreneurs.

World Bank

29. Recognizing the importance of private sector development in developing countries, the World Bank group has in recent years strengthened its assistance in this vital area. Its role in promoting private sector development was articulated most clearly in the report on Private Sector Development - Strengthening the Bank Group Effort, presented to the Board in April 1991. Coming in the wake of World Development Report 1991, the report identified several areas for World Bank work: creating an enabling business and competitive environment for the private sector, supporting enterprise reform and privatization, and promoting financial sector improvements.

30. The overall objective of the actions agreed to by the Board in 1991 was to improve the effectiveness of the Bank group institutions in promoting competitive private sector development. The actions contemplated included many that involved the Bank, the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) as separate institutions.

Others were based on the premise that closer working relationships were essential. Attention also went to formulating basic principles to guide the actions of the three institutions. Those guidelines emphasized the need to accept the market-first principle and to ensure that the actions of the institutions did not displace the market in any way. The guiding logic was that the Bank and IFC had different comparative advantages stemming from their different experiences and that combining those experiences was important in view of the historic changes in approach to private sector development in the World Bank's developing member countries.

31. Towards those ends, various steps were envisaged to strengthen the cooperative efforts of the Bank institutions. Key among these were establishing a private sector development committee to closely coordinate the private sector development policies and operations of the group and adopting a new focus on strategy formulation and coordination. Private sector development strategies were to be given high priority and to be explicitly reflected in all country assistance strategy documents and programmes of the group, and IFC and MIGA were to be involved in formulation of country strategy. With those objectives in mind, private sector assessments were introduced to detail the opportunities and obstacles faced by the private sector and the role of the group in fostering its development. Other steps included close cooperation to ensure that all the group's financial sector operations were carried out in the context of a sound reform strategy; explicit support by the group to privatization, through the provision of advisory services to Governments and the provision of finance for public enterprise restructuring and investments in privatized firms; and the intensification of the group's research on private sector issues.

32. Private sector development is now a core business of the World Bank. Private sector development has become an integral part of country strategies and private participation in infrastructure is now a key objective in the policy dialogue with client countries. More than three fourths of the Bank's adjustment credits include private sector development as a primary objective. Altogether, the group supports about $25 billion a year in private investment, or close to 10 per cent of the private investment in developing countries. In this fiscal year, Bank staff will devote close to 600 person/years to private sector development lending and non-lending advisory services, and the entire administrative budgets of IFC and MIGA are, of course, devoted to support of private sector development.

United Nations Industrial Development Organization

33. UNIDO has participated in several activities of the United Nations system in the area of privatization. These activities include (a) the 1993-1994 annual general meeting of the Central and Eastern European Privatization Network at Ljubljana; (b) the joint ESCAP/UNCTAD/UNIDO/ILO/Asian Development Bank workshop at Karachi; (c) the third and fourth sessions of the UNCTAD Ad Hoc Working Group at Geneva; (d) the fourth and fifth plenary session of the Organisation for Economic Cooperation and Development (OECD) Advisory Group on Privatization at Prague and Paris; and (e) the co-hosting of the sixth plenary session of the OECD Advisory Group on Privatization at Vienna. In projects implemented with service inputs from UNIDO, coordination is through the local country offices of United Nations/UNDP.

C. Implementation of demonopolization

United Nations Conference on Trade and Development

34. The Intergovernmental Group of Experts on Restrictive Business Practices was established in 1981 as the permanent body to monitor the application and implementation of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (RBP Set). As called for in the RBP Set (General Assembly resolution 35/63), a United Nations Conference to Review All Aspects of the Set was convened five years after adoption of the Set. That Conference took place in 1985, a Second Conference took place in 1990 and a Third Review Conference is scheduled to take place in November 1995.

35. Experts agreed on a wide spectrum of proposals for consideration by the Third Review Conference. They include identifying common ground in approaches followed by member States on different competition questions; extensive proposals aimed at strengthening UNCTAD technical cooperation and assistance in the area of competition policy; reviewing the way in which future sessions of the Intergovernmental Group of Experts will be held, including proposals for informal exchanges of views and multilateral consultations on specific competition issues; shedding light and encouraging exchanges of views in a large number of areas.

Universal Postal Union

36. Historically, the postal service was considered an exclusively public service, providing a number of products through a monopoly in practically all countries. However, in a number of countries that monopoly has been questioned in favour of competition. Facing this, some postal administrations have taken measures for monopoly protection. Postal monopolies have always been considered a domestic affair falling under the sovereignty of each member country of UPU. However, at the XXth Postal Congress, in Washington, D.C., in 1989, a number of weaknesses in the postal service were exposed. Above all, the postal service had not paid sufficient attention to its clients and few postal administrations had seriously looked into the issue of marketing, a tool that was used with great success by its competitors. One began to realize that postal services that had been in existence for over 100 years were not responsive to the modern requirements of their clients. Furthermore, it was understood that too much regulation can pose constraints on progress, on initiatives and on the ability to adapt to new situations. As a result, in the most modern postal administrations a movement towards deregulation has started. Still, the transformation of a postal administration into a private enterprise is not without problems. For a private enterprise, profit constitutes a determining factor for its functioning. This poses the problem of basic service, which guarantees universal access, something that private operators may not be willing to provide in low-density areas. In view of the above, the XXth Postal Congress launched an appeal to Governments to provide the postal service with a statute and a modern management system that would guarantee it proper autonomy and adequate human and financial resources based on the notion of profitability. Thus the Congress did not formally adopt the idea of privatization, but its main

objectives embraced self-sufficiency, improvement in the quality of services and modernization of its management methods.

D. Implementation of administrative deregulation

International Telecommunication Union

37. ITU is concerned with telecommunication sector reform and restructuring, leading to liberalization and, possibly, well considered and varying degrees of privatization within a sound regulatory environment. On a strategic and policy level, the Union's supreme organ, the Plenipotentiary Conference, meeting at Kyoto in October 1994, set out its strategic plan for 1995-1999 in resolution 1 of which it considers the subject in the context of the rapidly changing telecommunication environment under three broad headings: restructuring of the telecommunication sector, technological convergence, and globalization.

V. TECHNICAL ASSISTANCE

A. Development of national capacities to promote entrepreneurship

1. Policy frameworks

Department for Development Support and Management Services of the Secretariat

38. Advisory services and technical cooperation activities by the Department continue to be provided to assist Governments of developing countries and countries with economies in transition in their ongoing programmes of privatization and public enterprise reform. One of the main objectives of public enterprise reform is the promotion of private sector development and entrepreneurship. The focus of technical support was in the areas of strategy, planning, methods, valuation and financing of privatization. Technical support has been provided to such countries as Angola, Bangladesh, China, the Gambia, Kenya, Malawi, Myanmar, the Netherlands Antilles and Viet Nam.

Economic Commission For Europe

39. In ECE, the Division of Industry and Technology focuses on the development of entrepreneurship for countries with economies in transition. One of its main responsibilities is to assist these countries in elaborating government policy and programmes for SME promotion. Through the Regional Adviser, the Division is working in cooperation with the Working Group on SMEs of the Central European Initiative.

40. The Regional Adviser visited Bulgaria, the Czech Republic, the Republic of Moldova, Kazakhstan and the former Yugoslav Republic of Macedonia to review the current situation of entrepreneurship and SME development, and SME promotion measures, and also advised Governments on how to improve the existing promotion mechanism. An umbrella project has been prepared to promote SMEs in the countries with economies in transition. The Division is working with the European Union (EU), through its Regional Adviser, to support SME activities in

the Baltic States. ECE has expressed its readiness to cooperate with the Baltic Council of Ministers to provide similar services as those provided to the Central European Initiative.

41. The ECE Advisory Workshop on Industrial Restructuring was organized in June 1995 with the participation of high-level industry policy makers from 16 countries with economies in transition. The ECE Working Party on Engineering Industries and Automation will organize a workshop on 12 and 13 September 1995 in Moscow on economic aspects of the implementation of new technologies in small and medium-sized enterprises.

United Nations Development Programme

42. In certain programme countries, UNDP has been asked to provide technical assistance related to the formulation of appropriate national policies that support rapid and effective growth of the private sector. Advice in the development of regulatory processes, privatization procedures and policies, parastatal administrative reform, banking regulatory functions and capital market regulations are part of the programme and help UNDP efforts to concentrate technical assistance "upstream" with greater emphasis on government policy and action. UNDP supports entrepreneurship through country programming, strengthening of institutional structures, capacity-building, innovative approaches, enterprise restructuring and sectoral development activities.

United Nations Population Fund

43. The Programme of Action of the International Conference on Population and Development has a section (para. 15.18) that recognizes the important role of the private, profit-oriented sector in social and economic development. Consequently, UNFPA encourages Governments to set standards for service delivery and review legal, regulatory and import policies to identify and eliminate those policies which unnecessarily prevent or restrict the greater involvement of the private sector in the efficient production of commodities for reproductive health, including family planning, and in-service delivery. Practical examples of field activities include a whole series of income-generating projects - premised on the spirit of entrepreneurship - that are aimed at improving the status of women.

International Labour Organization

44. ILO has been assisting Governments in a number of countries in the design and implementation of consensus based local economic initiatives, many of which have a strong SME component. ILO is supporting a number of local development programmes under a regional UNDP-funded project entitled Sustainable Human Integration Through Economic Local Development (SHIELD), which covers the countries with economies in transition. The project began in 1993 with the objective of contributing to the development of local strategies for employment creation, income-generation, often with a strong emphasis on entrepreneurship and small enterprise development. Additionally, recent UNDP-funded ILO missions, some together with UNIDO to a number of countries in Africa and Asia, have focused on an analysis of the policy and regulatory environment and on facilitating changes favourable to the small-scale enterprise sector.

45. In Kenya and Ghana, ILO is working to introduce entrepreneurial aspects into vocational training courses so as to prepare graduates for employment in the SME sector and, possibly, to start their own businesses. Similarly, in Indonesia, ILO will soon be implementing a World Bank-funded project that will pilot test several models for providing support to young graduates interested in starting their own small business to identify the most cost-effective approaches to an issue that could have an impact on the very serious and growing problem of graduate unemployment. Additionally, recent work in Indonesia has assisted in the development of a national strategy to promote an entrepreneurial culture through a mass media campaign closely linked to a national distance training programme for small business managers.

Food and Agriculture Organization of the United Nations

46. FAO technical assistance in agricultural policy and planning to countries in Asia and the Pacific considers the comparative advantage of the public and private sectors in agricultural development activities and emphasizes policy options, strategies and institutional reforms aimed at enhancing private sector participation in such activities. A number of policy assistance projects have also been carried out in other regions (Europe, Near East, Latin America) with direct or indirect relevance to entrepreneurship and privatization.

47. FAO policy assistance is supported by training. Issues related to the role of the State and private sector in agricultural economic activities, including monopolies, State-operated enterprises, privatization and legal/regulatory frameworks are addressed in FAO training courses on policy analysis. Accordingly, the FAO Training Service trains public administration officials on how they can facilitate and support local initiatives and entrepreneurship.

48. FAO's assistance in training to member countries revolves around three main lines of activities: (a) formulation and implementation of in-service training programmes and projects in response to specific requests for assistance by member countries; (b) organization of regional and subregional seminars with the aim of assessing countries' needs for technical and training assistance in this field, while promoting technical cooperation among countries in the region/subregion; and (c) preparation of methodological guidelines for the agro-industrial sector and policy review with the purpose of clarifying the logical process and the techniques applied in this type of study.

49. It is planned that the methodological guidelines, once sufficiently tested and illustrated with real-life situations drawn from field projects, will be published and disseminated to concerned ministries, departments and institutions in developing countries. This, combined with the outcomes of regional and subregional seminars, should provide a solid basis for the launching of an FAO training programme on agro-industrial policy analysis and planning on a large scale, in line with the increasing demand from member countries for technical and training assistance in this field.

International Telecommunication Union

50. The World Telecommunication Development Conference, held at Buenos Aires in March 1994, promulgated the Buenos Aires Action Plan for Global

Telecommunication Development. One of the core programmes of the Action Plan deals with policies, strategies and financing of telecommunication development. The policy aspect of the programme covers restructuring and reform of the telecommunication sector. The Telecommunication Development Bureau has the responsibility for operational implementation of the Action Plan. ITU has a special role to play in advising policy makers on the options available in tailoring policies and regulatory structures to fit a country's particular requirements. ITU works in close cooperation with regional telecommunication organizations and international, regional and national development and financing agencies. Many countries have developed regional telecommunication development policies through the Telecommunication Development Bureau.

2. Legal frameworks

Economic Commission for Europe

51. ECE places special emphasis on the creation of a favourable legal environment for business development. The Working Party on International Contract Practices in Industry has prepared a number of manuals on the comparison of foreign direct investment laws for countries with economies in transition; on financing East-West trade and privatization for central and eastern Europe; and on the adoption of property laws for countries in transition. The manuals provide models of legal instruments for countries and show the changes in the legal field that enhance and accelerate the process of privatization and private sector expansion in the region.

World Bank

52. In the area of legal reform, the International Development Association (IDA) is supporting a comprehensive training program in Zambia for legal and paralegal staff and the upgrading of physical infrastructure and logistical capabilities. In Argentina and Zambia, the Bank is providing technical assistance to design and implement antitrust law and supporting institutions. In Albania, IDA is helping to improve land titling procedures.

3. Fiscal frameworks

United Nations Institute for Training and Research

53. Under the umbrella of the UNITAR debt and financial management training programme, the Institute has been involved in training and capacity-building initiatives in developing countries and in countries with economies in transition. To date, over 33 training activities have been conducted, benefiting over 1,200 participants. In recent years, the thrust of this training programme has moved towards answering the training needs of countries with economies in transition through preparing awareness seminars for senior-level government officials and in-depth capacity-building workshops for middle-management in government circles. Similarly, UNITAR has developed innovative training documentation, packages and materials as well as a comprehensive distance learning training package entitled "Debt and Financial

Management: Legal Aspects". UNITAR has also recently developed a case-study workshop package entitled "Negotiation Theory and Practice: Negotiation of a Multilateral Loan".

International Labour Organization

54. Several ILO programmes seek to address SME problems of access to credit. These programmes include setting up mutual guarantee associations for SMEs; programmes linking savings banks and small enterprise associations; and facilitating the dialogue between the SME sector and central banks. ILO has launched a special research and technical assistance programme that focuses on developing practical solutions to the lack of sustainable and effective credit access by small-scale entrepreneurs.

Food and Agriculture Organization of the United Nations

55. The FAO Investment Centre assists countries in the preparation of investment projects for international financing. Its services are provided under cost-sharing arrangements with the multilateral financing institutions with which FAO has cooperation agreements, such as the World Bank and the regional and subregional development banks. In 1994, FAO signed a formal cooperation agreement with the European Bank for Reconstruction and Development. Increasingly, much of the assistance provided by the Investment Centre to Governments is aimed, directly or indirectly, at development of the private sector.

56. Structural adjustment programmes strongly emphasize privatization of various parts of developing countries' economies. In the financial sector this is reflected in an increased role for commercial banks and other privately owned financial institutions. Consequently, promotion of a variety of financial intermediaries, including those in formal and informal sectors, is one of the main aspects of FAO work in rural finance development. To ensure the viability and sustainability of such institutions, FAO encourages the adoption of realistic rates of interest and to make mobilization of savings a central and key part of their strategy and operations. To that end, the FAO Micro-Banking System, a low-cost banking automation software carried out through the private sector, ensures local interest and support.

57. Through its collaboration with the regional agricultural credit associations, FAO encourages financial institutions to revise their approaches and restructure their operations to better serve private sector enterprises and to enable them to act as contacts for new, emerging grassroots' financial intermediaries at the national level.

World Bank

58. The World Bank is becoming increasingly involved in micro-finance operations and is helping to improve the legal and regulatory environment for microenterprises and in advising on financial sector policy reforms that support the development of micro-finance institutions. The Bank has been instrumental in establishing the Consultative Group to Assist the Poor, committing $30 million to the fund, conditional on the release of $70 million by other

donors. The fund will invest in micro-finance institutions that deliver financial services to the poor. A major purpose is to learn and disseminate best practice and to mainstream best practice in micro-finance in the Bank's operations.

59. The Bank's work on SMEs is slowly but steadily reappearing in financial sector operations and private sector development loans, especially in eastern Europe and countries of the former Soviet Union, where SMEs are critical to successful economic transitions and stable democracies. The Bank's systemic work on financial sector policies and on the legal and regulatory environment is increasingly focusing on issues that affect SME development and growth. The Bank also is assessing other financial mechanisms, such as venture capital and leasing, and innovative and cost-effective technical assistance mechanisms, such as small business networks.

60. In addition, IFC is exploring ways in which it can assist financial intermediaries by investing in an equity fund that will in turn invest in profitable micro-finance institutions in Latin America and in Africa. IFC has created other targeted facilities, such as the Africa Enterprise Fund, which makes loans of between $100,000 and $1 million for small and medium-size projects. The African Enterprise Fund approvals amounted to $18.1 million for 33 projects in financial year 1994 and will reach an estimated $19.3 million for 35 projects in 1995. The Board has already approved a third tranche of $100 million to cover an expansion of the programme through financial year 1998.

61. Assisting private sector development depends on the financial sector for capital-working capital, long-term finance, and equity. Private sector development must also rely on the financial sector for discipline and efficient payment services. Reflecting those imperatives, there has been a sharp increase in the scale of the Bank's operations in the financial sector, partly in response to the needs of the countries with economies in transition. The number of operations has grown from 20 in financial year 1993 ($1.1 billion) to an estimated 34 in financial year 1995 ($2.6 billion). More than half of these operations have been in Eastern and Central Europe. More significant than the rise in scale has been the steady increase in the complexity of the operations.

62. A few years ago, the typical financial sector operation addressed problems in sector policy, such as interest rate and credit policy. The issues now are much more institutional, such as the need to strengthen banking supervision and prudential regulation. A few years ago loans to the banking sector focused on recapitalizing troubled banks, but now banking operations place more emphasis on restructuring banking assets and liabilities, establishing incentives to ensure that improvements last and improving the financial condition of public sector banks. Recently, there has been a further quantum increase in the complexity of financial sector operations as the Bank has helped respond to financial crises in Mexico and Argentina and is facing the possibility of similar crises in other emerging markets. In response to those crises, the Bank has helped develop mechanisms for liquidity support, set up processes for determining the solvency of banks and designed interventions to deal with insolvent banks.

63. Several factors have led to this increase in the complexity of the Bank's financial operations. In the banking sector, some of the most important work

has been in the countries with economies in transition, where mono-banking and rudimentary financial systems were expected to handle the extremely difficult tasks of enterprise restructuring and shifting incentives. Also increasing the complexity of the Bank's financial operations has been its entry into new kinds of financial sector operations to strengthen payments systems and develop capital markets. The Bank has provided loans and technical assistance to help modernize payment systems to reduce delays and risks inherent in transferring funds and to link those systems to the parallel ones used in clearing and settling securities transactions. In addition to an ongoing project in China and technical advisory work in the Russian Federation, projects are in an advanced stage of preparation in Mauritius and Viet Nam.

International Fund for Agricultural Development

64. For the purpose of financial services delivery, IFAD mobilizes private savings to supply credit on a sustainable basis, thereby reducing the dependence on refinancing from public sources. The IFAD savings-first approach strengthens the private character of the resources available for investment, both at the level of the saving enterprise and at the level of the institution mobilizing the savings. Further, smallholder access to capital and financial services (credit) allows the privatization of investments. In addition to adopting such an approach to financial service delivery, IFAD places the necessary emphasis on the deepening of the financial system through a gradual integration of the formal and informal commercial and public financial institutions. This approach deepens the private character of the financial service sector.

B. Design and implementation of privatization policies

Department for Development Support and Management Services of the Secretariat

65. The Department has developed some general guidelines relating methods and practices of privatization, which include, among others, the public offering of shares, private placement, management/employee buy-out and liquidations. Emphasis was made on the choice of methods in accordance with each country's socio-economic environment and its choice of methods could vary over the time in accordance with changing socio-economic conditions. The Department also explores other modalities of reforming State-owned enterprises that cannot be privatized in the immediate future. Many of these are large and inefficient, but can not be discontinued because the social and political consequence are unacceptable. One option is commercialization of State-owned enterprises through such measures as hardening their budget and improving their financial performance. In the case of China, under the framework of a socialist market economy, corporatization of State-owned enterprises has been adopted as a national policy in that ownership and management are separated. The public entity owns the ownership and the manager is accountable for the management and operation. Also social goals that were previously part of objectives in State-owned enterprises are separated from commercial goals and are explicitly financed by the Government.

66. The Department also emphasizes policy measures to be taken to protect the public interest after privatization. Regulation of business activity by

Governments is to prevent from unwanted price increases by unrestrained monopoly sectors, to maintain quality standards and to make available of services in remote areas. The same consideration also apply to the protection of investors, the environment and employees.

Economic and Social Commission for Asia and the Pacific

67. With respect to private sector development, ESCAP has emphasized the leading role of the private sector in overall and industrial development. ESCAP has therefore provided extensive technical assistance under its regular budget as well as through a number of extrabudgetary funded projects to various countries in the region with the general aim of enhancing regional cooperation in private sector development. Particular attention has been paid to least developed, land-locked, and island developing economies and to countries with economies in transition. In most of those projects, directly or indirectly, private sector development has been an essential aspect and aim. In its private sector development activities, ESCAP has stressed the importance of privatization, technology transfer, foreign investment, small- and medium-scale industries and enterprises, and skill development of entrepreneurs, in particular women. ESCAP has also explored ways to help Governments efficiently and effectively formulate and implement privatization programmes taking legal, financial and social factors into account and drawing useful lessons from successful privatization in the region.

United Nations Development Programme

68. In Peru, UNDP has assisted the Government in establishing a legal and institutional framework to support the privatization process. This includes regulations to promote and protect private investment; standards for determining charges and tariffs for telecommunications, water, electricity and transportation; salary incentives for personnel reduction; and guidelines on natural resource conservation. A programme component for displaced workers has created more than 80 small and micro-enterprises.

69. In Argentina, the privatization process has led to the privatization of a majority of public enterprises between 1989 and 1993 and the Government has requested UNDP support to design and implement policies aimed at completing the transfer of SOEs to the private sector under transparent rules. UNDP has been asked to assist in the privatization process of non-core units of YPF, the oil and gas company privatized in 1993.

70. The Government of Bolivia chose a capitalization strategy whereby the objective is to entice foreign investors to make investments in enterprises in return for 50 per cent ownership, the remaining 50 per cent being distributed to the Bolivian population as pension contributions held in private pension funds. The Government requested UNDP assistance in the establishment of a SOEs restructuring unit; in reinforcement of management capacities by introducing performance contracts; and in evaluation of viability and book value of public enterprises.

71. In Viet Nam, UNDP has been involved in supporting the Government's economic reform efforts. The joint UNDP/World Bank project in Viet Nam started

in 1992 and its objective is to assist the Government in developing the policies, the legal and regulatory framework, and the institutional development and reforms needed to support State enterprise reform, while assisting in the implementation of some pilot State enterprise reform and divestiture activities.

Food and Agriculture Organization of the United Nations

72. The promotion of privatization, demonopolization and deregulation of economic activities and improvement of efficiency in the management of public institutions have been important components of FAO policy advisory services in African countries. Policy advisory assistance has been provided to a number of sub-Saharan African countries. The United Republic of Tanzania, Uganda, Namibia, Malawi, Burkina Faso, Ethiopia, Kenya, Togo, the Niger, the central African Republic, and Côte d'Ivoire were among countries that received assistance in 1994. For example, in the Central African Republic and the Niger, studies were undertaken on private sector development and in most of the other countries assistance involved policy analysis and advisory service, the focal point of which was promotion of privatization, demonopolization and improvement of efficiency of public institutions.

73. In Bangladesh, the agricultural sector review and policy assistance for the transformation to irrigated agriculture has reviewed the performance of the crop sector in the context of ongoing liberalization and privatization policies and advised the Government on specific sectoral policy and institutional reforms and areas of investment and in-depth studies to accelerate further the agricultural growth and poverty alleviation with greater private sector participation.

74. A policy assistance project has been designed to advise the Government of Bulgaria on a strategy to enable the livestock/meat industry to be internationally competitive and to serve the domestic market and to increase the export share in meat and meat products. The project will provide advice on the role of government, the institutions needed and the regulatory framework necessary for a privatized livestock sector to succeed domestically and in international competition. Another project provides technical assistance to the Government of Albania to set priorities in implementing a privatization strategy in the agriculture and related sectors.

World Bank

75. The World Bank group supports private sector development through project financing and wholesale financing in three critical ways: (a) improving the business environment; (b) promoting enterprise reform and privatization; and (c) assisting financial sector reform (see above). The Bank, using its capability to provide advice through both lending and non-lending services, provides about 85 per cent of the Bank group's systemic private sector development work. IFC, able to operate without government guarantees, focuses more on project financing, along with MIGA and, to a lesser extent, the Bank's emerging guarantee business. Both the Bank and IFC provide wholesale financing.

76. While approaches to reform vary widely across countries at different stages of development, the group's work in the area of improving the business environment covers four areas: reducing barriers to competition and

streamlining regulation, strengthening legal and judicial systems, supporting entrepreneurial development and promoting global integration through foreign direct investment and expansion of trade. The group's analytical work on the business environment has been sharpened through the private sector assessments it initiated in 1991. To date about 35 have been completed. These joint efforts of the Bank and IFC identify constraints to private sector development and produce a "road map" to overcome them.

77. The Bank supports and advocates privatization in those instances where it is clear that private owners would more efficiently utilize the assets and safeguard their continuing productivity. Therefore, enterprise reform and privatization remain a central focus of World Bank activities and major initiatives are under way that support efficient, timely and transparent divestitures. The specific targets for divestiture range from the sale of small businesses and shops to medium-sized and large enterprises in the tradable sector, as well as public utilities.

78. More than 20 Bank/IDA lending operations approved in financial year 1994 featured privatization as a key component of more general initiatives aimed at private sector development and as many projects are under development over the past six years. For example, in Bolivia, adjustment and technical assistance operations are helping the Government to privatize six major sectors (telecommunications, electricity, oil and gas, railways, aviation and mining) through capitalization, a unique process that effectively increases the capital base of the companies being privatized while funding pension accounts for all adult Bolivians.

79. The World Bank's post-privatization assistance work, particularly in countries with economies in transition and in Latin America and the Caribbean, is articulating programmes supporting the growth and sustainability of newly privatized enterprises. The Bank is developing models for post-privatization assistance based on its work in the Russian Federation. It is exploring approaches to developing equity and venture capital funds (in Belarus, for example) and other capital market mechanisms, especially in the transition economies. In Mexico, the Bank is working to promote greater participation by new entrants in the telecommunication sector in order to increase competition within an already privatized industry.

United Nations Industrial Development Organization

80. UNIDO technical assistance for privatization, which includes appropriate demonopolization and administrative deregulation as integral components, consists of both comprehensive and specific programmes to assist in privatization. Although assistance in general is provided, industrial privatization activities are particularly emphasized. UNIDO has assisted Governments in (a) privatization programme design and strategy; (b) formulation of privatization policies, such as privatization modalities, selection criteria, social safety net design, and competition policy; (c) design of an organizational framework for privatization, including policies and procedures for administering privatization; (d) participation in individual privatization transactions, as primary advisor, or as technical advisor on issues such as valuation, selection of external advisors and sales strategy; and (e) assisting

in the restructuring of enterprises to make them attractive for privatization, by addressing both short-term survival strategies and longer-term business planning activities.

81. As the United Nations agency responsible for coordination of industrial development activities, UNIDO has special expertise in the privatization of specific industrial sectors, and can provide technological and economic input into an enterprise privatization analysis and strategy. Technical assistance is provided in three ways: (a) technical assistance projects; (b) technical workshops, seminars and conferences that UNIDO organizes or participates in; and (c) publications and information networks.

C. Creation of enabling environments

1. Establishment and growth of small and medium-size enterprises

United Nations Development Programme

82. In the Asia and Pacific region, a number of programmes are under implementation that focus essentially on SME development and promotion, particularly in rural areas. There are projects in which UNDP has been involved in cooperation with one or more United Nations specialized agencies, notably ILO and UNIDO. These programmes are linked to broader multi-disciplinary poverty alleviation and eradication programmes. A case in point is the UNDP/ILO Employment Generation Programme in Cambodia. This programme consists of labour-based infrastructure rehabilitation, small enterprise development and vocational training. It is closely linked with the UNDP flagship programme in Cambodia, the Cambodia Resettlement and Reintegration Programme. The employment - generation programme has already achieved some impressive results with some 1,500 persons (of which 60 per cent are women) having been trained in small business skills, of whom over 800 persons have started or expanded small-scale enterprises. In addition, over $500,000 in credits have been made available with a recovery rate of almost 100 per cent.

International Labour Organization

83. ILO has been involved in joint activities with UNIDO in the form of joint implementation of technical assistance projects (for example, in the South Pacific) and jointly executed missions in the area of small enterprise development. A recent cluster of ILO small enterprise promotion pilot projects in Indonesia included a component to assist in mapping and analysing current policies and regulations from the perspective of creating an environment conducive to growth of entrepreneurship and small enterprises. An ongoing project in the United Republic of Tanzania is providing similar help to the Government through assistance to and in-depth analysis of the policy and regulatory environment particularly as it applies to micro-enterprise in the informal sector.

2. Support of local entrepreneurs

Department for Development Support and Management Services of the Secretariat

84. Support of local entrepreneurs has been provided to nine countries, Argentina, Brazil, Chile, Ethiopia, Ghana, Nigeria, Uruguay, Venezuela and Zimbabwe through the Entrepreneurship and Small and Medium-Size Enterprise Development Programme. That Programme is a multi-stage technical cooperation programme implemented by the Department that promotes entrepreneurship and assists in the establishment and expansion of SMEs in developing countries and countries with economies in transition.

Economic and Social Commission for Western Asia

85. In order to provide SMEs with a support system, ESCWA currently assists countries in the region with the establishment of "technology and business incubators". These business incubators provide a variety of counselling and support services to selected start-up or early stage businesses. Some clients are provided with working space, on affordable terms, within the incubator, with defined entry and exit criteria for the tenants, while others will be serviced in their own locations.

86. In 1995, ESCWA, in cooperation with UNDP, implemented the preparatory phase for the establishment of a technology business incubator in both the West Bank city of Nablus (Al-Najah University) and Gaza. The project assists in creating entrepreneurial businesses; linking the private sector with universities and research laboratories; providing access to trade and technology information and seed capital sources; developing management/marketing skills; mobilizing the expertise, capital and commitment of Palestinian expatriates; and generating employment for the more skilled Palestinian youth. A technical assistance project for the establishment of a technology business incubator in the Syrian Arab Republic, aims at stimulating technological innovation and aids in the commercializing scientific research results.

87. ESCWA, in cooperation with the United Nations Development Fund for Women, is assisting the Business and Women Professional Club in Jordan with the establishment of a business incubator that is designed for women entrepreneurs. A similar activity is being undertaken in Lebanon. In order to assist entrepreneurs in overcoming the difficulties of access to business information, an activity on the sourcing of industrial information will be implemented. This activity will assist countries of the region in building a network between them to facilitate the flow of business information.

United Nations Development Programme

88. In Uruguay, the UNDP-supported Enterprises and Technology (EMPRETEC) project is helping to develop exports of Uruguayan high-technology products. It enhances entrepreneurs' abilities to use available technical, financial and commercial resources and structures by offering them education and support services. It also receives and sends international business delegations, organizes seminars and conferences, creates links between companies and research

institutes and maintains contact with other EMPRETEC programmes, especially in Argentina and Brazil. In 1993, EMPRETEC-Uruguay introduced and developed the programme in Venezuela, and soon in Bolivia, Mexico and Paraguay, as well as in central Europe. Closely related is the UNDP-supported project on "catalytic entrepreneurship" that promotes business partnerships among innovative technology-driven enterprises to increase exports and jobs.

89. The EMPRETEC programme was also established in Nigeria and Ghana, where it sets out to develop a national capacity to identify and select promising entrepreneurs, train and assist them in launching their business ventures and establishing linkages with transnational corporations. Its aim is to establish a public-private sector self-financing infrastructure to support SMEs. The technical advisory inputs it draws upon originate from within the local business community and are delivered directly to small and medium-scale entrepreneurs.

90. UNDP has supported the application of the concept of business development centres and incubators to encourage entrepreneurship and new business development. In Indonesia, three centres are under development and the Government has endorsed the concept by identifying national funding to support a further 10 facilities. Similar programmes have been supported by UNDP-funded missions in Mexico, Brazil, Egypt and Uzbekistan.

91. The technology business incubator, a concept that UNDP supports in several countries, nurtures SMEs in the start-up phase by providing a range of services needed by entrepreneurs to develop their ideas from conception to commercialization. In Nigeria, an initial three technology business incubators are being set up by the National Technology Business Incubator Foundation. The one at Lagos, built with support from the Lagos State Government, has already begun operations with a local bank offering soft loans.

92. In Madagascar, micro- and small enterprises employ an important segment of the labour and productive capacity in a poor society and provide a vital link to modern enterprises. However, these enterprises face obstacles such as a lack of access to institutional credit from banks and a policy environment that favours large businesses over small ones. UNDP has been investigating the possibility of creating a centralized credit facility that would provide credit extension services and capital to its current portfolio of technical assistance projects. This credit scheme is being implemented by the United Nations Capital Development Fund.

93. In Egypt, UNDP contributed to the enterprise development programme, one of the objectives of the social fund for development established in 1991 to minimize the negative impacts of the structural adjustment programme. The programme objectives include expanding existing small enterprises to generate income and increase employment opportunities and to create new small enterprises. These objectives are to be achieved through developing, funding and delivering integrated packages of technical assistance, credit and training.

VI. PARTNERSHIP BETWEEN PRIVATE AND PUBLIC ENTITIES

A. Mechanisms for discussion and consultation

1. Entrepreneurship

Department for Economic and Social Information and Policy Analysis of the Secretariat

94. The Department (and its predecessors) has for some time been involved with issues related to entrepreneurship. A chapter for the World Economic and Social Survey 1995 on enterprises in countries with economies in transition deals with problems of bringing about a market economy in such countries as economic agents do not seem to have responded to liberalization as expected. A section on the spread of policy reform in the developing countries examines the dominant package of adjustment priorities (stabilization, liberalization, opening-up and privatization) in many developing countries and compares "stop and go" with a sustained policy. Other work of the Department in this area includes a chapter for the World Economic Survey 1992 on entrepreneurship and the development challenges of the 1990s, which sets forth a number of key features pertaining to entrepreneurship and its role in bolstering productive potential and promoting rapid economic restructuring.

95. Specific case-studies on entrepreneurship in the Department include a country study of economic reform and the development of the private sector in Viet Nam and one on the ongoing economic reforms in China.

Economic Commission for Europe

96. The ECE 1995 SME Workshop will address the problems facing entrepreneurs who are located in countries with economies in transition. For the 1995 annual session a study was prepared on the ways and means of promoting the expansion trade in countries with economies in transition and several round-table discussions occurred on this subject. Special attention was given to measures to encourage enterprise development and the participation of SMEs in international trade. Another study currently under way will explore alternative ways of financing trade and investment in countries with economies in transition and specifically into legal, administrative and technical measures that should be implemented to support the operation of newly established businesses in those countries.

97. Questions of foreign trade and business cooperation promotion in the ECE region is an area of interest in the secretariat. At the request of the Government of the Republic of Moldova, the secretariat is preparing a workshop on promoting foreign direct investment among SMEs. In addition, promotion of private sector developments through establishing contacts with potential foreign investors will be addressed during the 1995 Investment Promotion Conference.

Economic and Social Commission for Western Asia

98. ESCWA assists regional enterprises in coping with the changing international and regional environment. In 1994 a workshop on upgrading

entrepreneurial skills of managers under conditions of rapid change for managers of firms in Jordan was held at Amman. A field survey on management of change covering 85 enterprises in Jordan was presented. The survey assessed the effects of the Gulf crisis and other regional events on the operation of Jordanian enterprises and identified the responses/changes introduced by managers of these firms, in terms of products, production, processes and technologies, marketing, finance and human resources to better cope with national, regional and international political and economic events.

99. ESCWA is preparing an expert group meeting on entrepreneurial and managerial skills under conditions of change (Bahrain, 20-23 November 1995). The meeting will formulate appropriate policies and measures that enhance entrepreneurial skills of managers under conditions of uncertainty and will assess entrepreneurial capabilities in coping with the effects of changing international and regional events on the operation of individual firms.

United Nations University

100. The UNU Institute of New Technologies is currently undertaking a study on the evolution of high-technology research institutes and new enterprise organizations in China. The project traces the initiation and growth of "new enterprise organizations", assesses their role in commercializing technological know-how, and documents factors that fostered or constrained the success of those organizations which were derived from China's State-sponsored research and development institutes. The results of the research will be published in the form of working papers and journal articles. The effort follows on an earlier project on politics of technology policy institutions in China.

United Nations Educational, Scientific and Cultural Organization

101. In 1993, UNESCO launched the University/Industry/Science Partnership Programme to promote university/industry cooperation in particular in developing countries as well as in eastern and central Europe. The objectives of the programme include adoption of engineering education to industry needs; continuing engineering education for practising engineers; and transfer of research results from university to industry. Since local enterprises in developing countries, in particular SMEs, possess neither their own research staff nor training centres, they often fail to keep up with daily advancing modern technology. Products from local enterprises are thus not internationally competitive in quality or price. Accordingly, university industry cooperation can be a valuable strategy in the process of technology-led industrialization of developing countries.

102. UNESCO has been promoting more than 20 international, national and regional conferences on the topic of university/industry cooperation. UNESCO conferences encourage the university engineering population to become more involved in the issue of national economic development and also attract industry leaders towards university/industry joint projects. Furthermore, UNESCO has promoted industry-sponsored UNESCO chairs to be established at engineering universities in developing countries and to be backstopped by university twinning arrangements making full use of North-South, East-West and South-South cooperation.

International Atomic Energy Agency

103. Under the IAEA Technical Cooperation programmes, particularly within the framework of regional cooperation agreements, executive seminars are organized where industrialists are kept informed about the business opportunities opened up through the dissemination of nuclear science and technology, which is seen as helping to further entrepreneurship.

2. Privatization

Department for Economic and Social Information and Policy Analysis of the Secretariat

104. The Department (and its predecessors) has carried and is carrying out work on privatization in a number of areas, including on economic reforms in central and eastern Europe and the former Soviet Union. An example is the 1992 special issue of the Journal of Development Planning, which describes the salient features of the transformation and the prospects for development assistance, trade, foreign direct investment and economic integration, with special attention being paid to the impact on developing countries.

105. A recent analysis of integration and privatization in the oil industry deals with State oil and gas companies throughout the world, against the background of economic imperatives based upon improved profitability and efficiency. The analysis considers both the current process of privatization of major State oil companies, particularly in Europe, Latin America and Asia, and the increasing opportunities for exploration and development offered to transnational oil companies in many parts of the world. It concludes that both privatization and integration are likely to help the future investment climate in the international oil industry.

Economic Commission for Europe

106. The ECE secretariat monitors positive experiences as well as obstacles faced by countries with economies in transition in their market transformations efforts; takes note of developments in similar areas in developed market economies with a view to analysing relevant successes and shortcomings in the ECE region; and disseminates such information to policy makers and business operators in countries with economies in transition. Additionally, the secretariat monitors the privatization process in countries with economies in transition and collects data on the specifics of privatization developments in certain countries and/or sectors. Such information is used in the preparation of studies and workshops addressing requirements for international and national support for the promotion of privatization and entrepreneurship in the ECE region.

Economic and Social Commission for Asia and the Pacific

107. ESCAP has organized workshops and regional and subregional seminars and prepared a variety of background documents and studies on private sector

development, foreign investment and privatization. Several workshops and meetings have focused on technology transfer and skills development.

United Nations Conference on Trade and Development

108. In the context of preparations for the ninth session of the United Nations Conference on Trade and Development future work in the area of SMEs falls in four areas: (a) the policy and commercial framework for enterprise development, with particular reference to SMEs; (b) institutional support for SME development; (c) promotion of inter-firm linkages and modernization of SMEs; and (d) regional cooperation for SME development (as illustrated by the Association of South-East Asia Nations (ASEAN) Programme of Action on SME development). These, together with the results of the work of the second session on the financing of SMEs and technical cooperation for policy development supportive of SMEs, can provide a basis for the consideration of policy initiatives involving research and technical cooperation activities, at both national and international levels, to enhance the role of enterprises, particulary SMEs, in the development process.

United Nations Industrial Development Organization

109. Through subcontracting exchanges, chambers of commerce and industry, and business development centres, UNIDO provides assistance that is useful in arranging a partnership between public enterprise and private sector firms, and in providing information exchange that can lead to transactions between public and private sectors. For example, business development centres, which UNIDO establishes when building national capabilities for private sector development in countries with weak private sector institutional bases, match potential entrepreneurs with spin-offs from State-owned enterprises and provide these enterprises with subcontractors from the private sector.

3. Administrative deregulation

Department for Economic and Social Information and Policy Analysis of the Secretariat

110. The Department is undertaking research and policy analysis related to deregulation and privatization of water services in developed, developing and transitional economies. The work deals with comparative experiences in the privatization of water supply, focusing on private sector participation in urban water utility operations in industrialized, developing and transitional countries, an important area of intergovernmental policy discussions, including those relevant to Habitat II. The Department's work in this area is covering, among other things, several important micro-economic areas, such as pricing, investment, operational efficiency, demand management and economic regulation.

World Bank

111. In low-income countries, the central challenge for policy-makers is to stimulate competition and dismantle onerous regulations - regulations that increase risk and transaction costs by as much as 30 per cent. Actions should

include eliminating price controls; abolishing parastatal monopolies in production, distribution and marketing; simplifying business entry and exit regulations; and eliminating punitive tax rates and simplifying tax structures and administration. Close to a third of Bank projects contain such reforms aimed at creating a more attractive yet competitive business environment.

4. Public enterprises through incorporation of private entrepreneurship practices

United Nations Development Programme

112. It is apparent that many SOEs, important as they are to local and national economies, cannot be easily privatized until they have been restructured. The Turn-Around Management project, a regional effort for eastern Europe and the countries of the Commonwealth of Independent States (CIS), supports the change in business culture required by parastatal enterprises now working in a market economy. The project employs retired senior executives to act as coaches for the enterprises, with the support of specialists as needed. Over 55 companies in some nine countries are now involved. The UNDP-supported project is executed by EBRD, with support from the European Commission under the Poland-Hungary Aid for the Reconstruction of the Economy (PHARE) programme.

113. In China, a large enterprise management implementation programme is under way. The $6 million programme supports China's ongoing efforts for transformation and revitalization of large and medium-sized SOEs. The effort is focused on the eventual separation of ownership and management, which will be achieved through the conversion of these enterprises into joint stock companies, and the formation of industry groups for potential listing on Chinese and international equity markets.

114. Another approach to this task is the larger enterprise transformation project for trial in Poland, Romania, Slovakia and Slovenia. This project proposes to undertake the organization of investment banking teams who would generate lease purchase agreements between the national Government and foreign corporate partners relating to specific businesses. In return for providing modern management, access to new markets, current technology and capital, the foreign partner would have the option of purchasing ownership control in the local enterprise, following restructuring, at a predetermined price to complete the privatization process.

International Civil Aviation Organization

115. Experience gained world wide indicates that where airports and air navigation services have been operated by autonomous authorities, almost all of which have been established by Governments, their overall financial situation and managerial efficiency have generally tended to improve. ICAO believes that it would be worthwhile for Governments to explore the possibility of establishing autonomous authorities to operate their airports where this is in the best interest of providers and users. With regard to air navigation services, the possibility of establishing autonomous authorities to operate their air navigation services should be explored, recognizing that, in some

circumstances, a single authority may operate both airports and air navigator services, and that the authority may be in the form of an autonomous civil aviation authority.

116. Many significant financial advantages may be achieved by vesting an airport authority with the necessary financial autonomy, including control over the use of airport-generated revenues. Notably, it permits and encourages airport management to exercise closer control over revenues and costs. It also offers the possibility of negotiating loans best suited to meeting the airport's needs. Moreover, it places the airport in a stronger position regarding other financial matters, such as in the negotiation of concession contracts, and in industrial relations.

World Bank

117. An important feature of the World Bank group's recent financial assistance for private sector development has been the rapid growth of its support for private participation in infrastructure and the related growth of the Bank's guarantee business. Standard IBRD/IDA investment loans accounted for 76 of 91 projects with private participation in infrastructure components in 1988-1994. More than half the investment loans made since 1988 funded public investments and legal and regulatory reforms designed to complement and facilitate private participation. Examples of such projects include transport sector operations in Albania and Poland that funded maintenance and new investments while paving the way for the privatization of public entities in trucking and road maintenance and repair, and power transmission investments in the Philippines to complement investments in power generation by independent power producers. Close to a fifth of the investment loans involved Bank assistance for the design of franchising arrangements. Eleven of those loans went to countries in Africa, including Côte d'Ivoire, Guinea, Mali, Rwanda and Sierra Leone for the power sector, and Côte d'Ivoire, the Gambia and Guinea for the water sector.

118. In 1988-1994, the Bank also participated in 10 operations that onlent funds to existing or new private sector operators of infrastructure services (power projects in India and Turkey, water in Argentina, telephony in the Philippines and transport sector projects in Mexico and Ethiopia). Two of the operations - in Jamaica and Pakistan - combined the establishment of private sector funds with support for policy changes that created a favourable environment for private investors. Although Bank financing of such projects is expected to be relatively limited, there are cases in which the Bank could play a catalytic role. For example, Bank lending to support government participation in joint ventures - in gas pipelines, for example - may present a significant opportunity. Such lending could provide the necessary assurance for private sector participation under some circumstances.

119. IFC private participation in infrastructure activity took off at the beginning of financial year 1993, with the creation of its Infrastructure Department. The number of private participation in infrastructure-related transactions doubled immediately, from 8 in financial year 1992 to 15 in financial year 1993 and doubled again to 30 in financial year 94, and is expected to reach 35 to 40 in financial year 1995. The volume of IFC

infrastructure financing rose more rapidly, increasing by more than five-fold, to nearly $600 million in financial year 1994. Mobilization ratios of more than 8:1 meant that the financial year 1994 programme supported well over $5 billion of investment. Of the Corporation's more than 100 private participation infrastructure investments in 33 countries approved to date, most have been pioneering transactions, involving significant demonstration effects. They have helped to build support among policy makers and consumers for further private participation in infrastructure and have provided crucial experience for financiers, sponsors and government regulators in closing complex transactions.

120. Many of the transactions have been in Asia and Latin America, where government commitment to private participation in infrastructure has been strongest, but an increasing number of projects are being processed in Africa, eastern Europe, central Asia, the Middle East and North Africa. Several low-income countries with limited access to international capital markets have received support, including Nepal, Sri Lanka and Zaire, and projects in Mozambique and Viet Nam are in the pipeline. Although power and telecommunication projects have accounted for most of the transactions, an increasing number of transport projects are being approved.

5. Military conversion to civilian goods and services

Department for Development Support and Management Services of the Secretariat

121. One important area of public/private interaction undertaken by the Department is the military conversion to civilian goods and services. The Department organized in collaboration with the Government of China a Conference in International Cooperation to Promote Conversion from Military to Civilian Industry, held at Hong Kong from 7 to 11 July 1993. The Conference proceedings were published by the China Association for Peaceful Use of Military Industrial Technology and the Department in 1994.

122. The focus of the Conference was three-fold:

(a) Providing enabling environment on such subjects as policy, legal and regulatory management, and institution-restructuring;

(b) Adopting pragmatic approaches at the international, regional and country levels on such issues as entrepreneurial attitude and, cost-benefit analysis;

(c) Providing opportunities for international cooperation.

123. A special effort was made to bring to the Conference experts from industry, public and private, and to emphasize the practical issues and options of the conversion process. The subjects covered included the nuclear industry, military machines, shipbuilding, electronics, aeronautical and aerospace industries, information, intellectual property and international cooperation.

124. At present, the Department is providing technical assistance to China on a two-year project on military industry conversion. It aims at training senior

managers of Chinese military enterprises for conversion to production of civilian goods for the domestic and world markets, and facilitating joint ventures by bringing together major domestic and international investors from the private sector in the most attractive and committed Chinese enterprises.

B. Review and dissemination of experience and lessons learned

1. Promotion of entrepreneurship

Department for Development Support and Management Services of the Secretariat

125. The Department's activities implemented in Latin America and Africa under entrepreneurship and small and medium-size enterprises (ESME) are regularly discussed and improved at local, regional and international meetings. For example, an international ESME conference was held in September 1993 at Porto Alegre, Brazil, with the attendance of representatives of the Department, country officers and entrepreneurs from Africa and South America. More recently, an ESME meeting gathering country directors and coordinators in the Latin American region was held on 20 and 21 October 1994 at Montevideo in order to analyse the situation of ESME programmes at the domestic level and to coordinate regional activities. A further entrepreneurs' meeting was subsequently conducted in December 1994 at Porto Alegre, Brazil.

126. The Department's ESME has yielded excellent results in its seven years of existence. They include (a) over 80 entrepreneurship workshops conducted in nine countries in Latin America and Africa; (b) training of more than 2,500 entrepreneurs at the workshops; (c) certification of over 30 local trainers; (d) establishment of some 17 ESME offices and 12 entrepreneurship associations within the ESME network; and (e) considerable success of at least 60 per cent of entrepreneurs trained by ESME in starting, expanding or modernizing their business.

127. In addition, the Department diffuses the experience gained through the implementation of ESME by participating actively and coordinating workshops and conferences with other multilateral organizations. The ESME programme contributed both as a sponsoring organization and an active participant in a two-day international workshop on small and medium-sized enterprises: employment, innovation and growth held in June 1995 in Washington, D.C. The workshop was organized by OECD and counts on the presence and support of the United States Small Business Administration and the World Bank's MIGA.

128. The Department for Development Support and Management Services has organized/co-organized three interregional expert meetings: (a) the interregional Workshop on Development of Small and Medium Enterprises in Developing Countries in Transition, Hanoi, 30 March to 1 April 1994; (b) World Convention of Small and Medium Enterprises - Towards 2000, Beijing, 3 to 5 March 1993; and (c) Symposium on Entrepreneurship and Economic Development in Asia, New Delhi, 22 to 25 October 1991. The objectives were to facilitate exchanges of national experience of promoting SMEs between senior government officials and international experts so as to provide policy guidelines, taking into account each country's unique socio-economic environment. Several

important constraints to SME development were identified in the interregional meetings. These constraints serve as useful references for policy formulation. They include lack of access to appropriate technology, capital, management skills and updated market information. The Department has also proposed an international seminar on promoting export-oriented SMEs in CIS countries (to be held in Moscow).

Economic and Social Commission for Western Asia

129. ESCWA has recommended measures for improving entrepreneurial orientation and for facilitating the creation of an enabling environment, through (a) reducing administrative and bureaucratic procedures; (b) providing extension and advisory services; (c) devising innovative financing techniques; (d) establishing business information centres; (e) institution-building; and (f) training programmes for entrepreneurs and managers. ESCWA is directed to assist institutions of the region in finding new and improved techniques to support and promote the creation of indigenous entrepreneurship, as well as facilitating the exchange of information and sharing of experience between concerned institutions in the region. ESCWA assists managers of industrial firms in upgrading their entrepreneurial skills and coping with the changing international and regional environment.

United Nations Development Programme

130. In its efforts to support the development of entrepreneurship, UNDP has encouraged the initiatives of two international bodies, the International Chamber of Commerce and the, Chambers of Commerce and Industry of the Group of 77. The Trade Information Network, a UNDP-supported project, is an example of the Group of 77's efforts to place a programme that will provide accurate and timely business information within the South-South market place. The proposed Trade Information Network will provide, on a daily basis, commercial information on actual trading opportunities and matching national exporters and importers of member countries. To meet this objective, the Network will link up all national chambers on-line, while the regional centres will host regional databases, maintained and updated by national focal points and supplemented by data from the other regions. UNDP is supporting the establishment of regional focal points in Colombia, Cameroon and Pakistan.

International Labour Organization

131. ILO has created a number of mechanisms for disseminating experience and lessons learned in the area of entrepreneurship and small enterprise development. A global network named INTERMAN has been set up with support from a range of donors including UNDP. The objective of the network is to enhance management performance on a world-wide basis and membership includes corporations, educational institutions, management associations and development agencies. Recognition of the growing importance of entrepreneurship and enterprise creation has led to the creation of a sub-network under INTERMAN called the global Network for Entrepreneurship Development (NED). This network assists members in launching or strengthening activities to stimulate entrepreneurship and creation and growth of the local business sector. It identifies, documents and disseminates the most effective and replicable

entrepreneurship development programmes and develops guidelines for introducing new activities. Recently, a directory of successful entrepreneurship and small enterprise development programmes, and the major lessons learned from each, was published under the NED.

132. Another tool for disseminating information to small enterprise development institutions and small-scale entrepreneurs is the ILO network INSTEAD, a technological information system especially designed to meet the needs of international organizations, government departments, and other clients interested in the latest information related to technology for the small-scale sector. INSTEAD coverage has now been expanded to cover all aspects of interest to enterprise development and INSTEAD is being established in developing countries to great effect.

133. As part of a recent reorganization, ILO has established 14 multidisciplinary teams around the world. Most of the teams include a specialist on entrepreneurship and small enterprise development and are thus in a position to provide advisory services to ILO constituents in member countries based on ILO experience and best practice from around the world.

United Nations Industrial Development Organization

134. In the SME Branch of UNIDO experiences are analyse and evaluated with regard to some guiding principles deemed important to the success of technical assistance in the field of the SME development programme. The guiding principles include: (a) demand orientation and flexibility; (b) fee-for-services (gradual cost recovery); (c) dialogue between the public and the private sectors; (d) cooperation and coordination with others (other development agents) to avoid duplication of efforts; and (e) exchange of information and experience.

135. For dissemination purposes, studies in the framework of United Nations/UNDP technical support service arrangements have been found useful in bringing to the attention of Governments possible solutions and lessons learned that can be taken into account in the formation of national policies and strategies for industrialization. These studies implicitly call for coordination of national approaches with regional industrial developments.

2. Implementation of privatization

Department for Development Support and Management Services of the Secretariat

136. The Department co-organized a conference and workshop at Stockholm from 5 to 10 September 1994 on privatization of public sector activities, with special reference to the privatization of activities in the telecommunications, energy, health and community services. Since much of the benefit from privatization arises from the associated restructuring and competition-inducing reforms, the term "privatization" included all reforms that bring market forces and competition to bear on economic decision-making.

137. In Kenya and Bangladesh, national consensus-building workshops were organized by the Department to bring together government agencies, public enterprise managers, capital market institutions and private sector and labour representatives. Workshops have also been held on special aspects of privatization and public enterprise reform in China and Myanmar.

Economic and Social Commission for Western Asia

138. Several ESCWA countries began implementing privatization measures during the past two years. In 1995, most countries of the region are either taking steps towards privatization or are assessing the various economic and social impacts of privatization. Two studies were launched by ESCWA in 1994 and 1995 to assess the impact of privatization on the Gulf Cooperation Council countries and in the more diversified economies of the region. During the biennium 1996-1997, a study will be undertaken on the governance and institutional aspects as related to privatization in ESCWA countries. In December 1997, ESCWA plans to conduct an expert group meeting on the various aspects of privatization in the countries of Western Asia, also drawing on the experiences of other developing and developed countries outside the region.

United Nations Conference on Trade and Development

139. Developing countries and African countries in particular have expressed interest in applying the results of UNCTAD work in the area of privatization. UNCTAD has undertaken to disseminate the results and information generated by the Ad Hoc Working Group on Comparative Experiences with Privatization through regional and national seminars, which attracted a large number of policy makers and executives from both public and private enterprises. The seminars provided the participants with the opportunity to clarify privatization-related issues, to learn from the experiences of other countries regarding what has and has not worked and to discuss solutions to specific privatization problems of their respective countries, thus strengthening their national capacity to formulate and carry out public sector reform policies and privatization programmes. Through the Ad Hoc Working Group, the UNCTAD secretariat has gathered considerable experience and is well placed to help national authorities and to cooperate with other international organizations in this field.

United Nations Development Programme

140. UNDP has been at the forefront of devising a project to support the Central and Eastern European Privatization Network. The Network is an informal network established among practitioners throughout the region and the Baltic States and is devised as a means whereby professionals can exchange experiences and innovations in a non-political setting. The Network has been in existence for three years, covers 22 countries (including CIS countries), and has evolved into a focal point for dialogue not only for the intended group but for donors as well. It has become the only intergovernmental mechanism dealing with privatization for countries with economies in transition.

World Bank

141. Governments and private firms in Bank borrower countries are increasingly interested in evaluating the international competitiveness of industries or clusters of industries, identifying the constraints and opportunities they face and devising ways to enhance their competitiveness. The Bank is facilitating dialogue between the public and private sectors - through private/public deliberation councils and jointly financed competitiveness studies - to reach consensus on appropriate strategies for increasing competitiveness. In Morocco, for example, the Bank Group organized a seminar for a wide array of government officials, industry association representatives, chambers of commerce, parliamentarians, educators and the media on best practice in privatization - especially in infrastructure - and in capital market development. Following the seminar, a committee was set up and charged with producing measures for accelerating private-sector-led growth. Similar projects are planned for Jordan and Tunisia. In many countries, the Bank is supporting efforts to adopt new information technology to shorten product development and market response times. In others, it is supporting tax and customs administration reforms to improve domestic firms' access to inputs at international prices. In Kazakhstan, the Bank funded a pilot project enabling enterprise managers to learn through study tours from the experience of successful firms in the United States and Taiwan Province of China.

142. In addition, the Foreign Investment Advisory Service, operated jointly by IFC and IBRD, has been helping countries shape policies and institutions conducive to foreign direct investment and MIGA provides advice on investment promotion.

143. Novel institutional arrangements and recent technology breakthroughs that allow the private sector to participate in and finance the supply of water, power, telecommunications and other infrastructure services previously considered the domain of the public sector have provided new mechanisms to meet those critical infrastructure needs. Since 1988, more than 90 Bank/ international development assistance infrastructure projects have involved significant components to achieve private participation in infrastructure, including privatization of public utilities, sales of government-held shares in infrastructure entities, lending to private sector operations and franchising operations involving lease concessions and management contracts. The past few years have also seen spectacular growth in IFC participation in infrastructure operations.

144. World Bank group assistance to the private participation in infrastructure agenda has involved significant systemic work as well as such traditional instruments as adjustment loans, technical assistance operations and investment lending. Several new approaches have emerged and are being refined in the light of accumulated experience; these include the innovative use of guarantee schemes and funding designed to catalyse private sector investment. In Latin America, there has been a tendency to use the full range of instruments with a particular emphasis on adjustment lending. In the other regions, there has been much less use of structural adjustment operations. In all cases, however, much attention has gone to designing and establishing the legal and regulatory basis for private participation in infrastructure.

145. IFC complements its transaction support to private participation in infrastructure by advisory services, given in the context of specific investment transactions and sometimes on a stand-alone basis. Recently, for example, it has provided advice on divesting electricity companies in Peru and Trinidad and Tobago, and it is giving ongoing advice on privatization in several infrastructure sectors in Haiti. IFC has also supported several funds aimed at promoting institutional investment in infrastructure, including three power funds (targeting Latin America, Asia and the entire developing world) and two telecommunications funds to mobilize equity and debt in central and eastern Europe. MIGA has also actively supported foreign investments in infrastructure. A total of 12 guarantees were issued in financial year 1995 to investors for private power and toll-road projects.

3. Application of private entrepreneurship practices in public enterprises

Department for Development Support and Management Services of the Secretariat

146. The activities fostered and implemented by ESME involve a close partnership between the private and public sectors since their fundamental objective is to support Governments' efforts to stimulate employment creation, investment, technology transfer and exports through the development of SMEs. Effective, active coalitions of public institutions, private business associations and the banking sector have thus been formed under ESME, growing into self-sustaining structures.

VII. CONCLUDING OBSERVATIONS

147. In view of the wide-ranging involvement of the United Nations system in the promotion of entrepreneurship and privatization, the following recommendations would seem pertinent so that Governments can take advantage of the growing expertise in this important area.

148. In general, the United Nations system should be able to help Governments define the role and scope of the public, mixed and private sectors and to suggest options in the modalities of interaction in accordance with the realities in each country, especially at the local and municipal levels, by means of specific technical assistance, dissemination and exchange of country experiences and research on the conditions for successful replication. The United Nations can assist Governments and international agencies in addressing social needs through public/private interactions and act as a facilitator in the sensitization to needs and in stimulating the flow of resources.

149. *With regard to privatization, Governments are encouraged to use the* sectoral and cross-sectoral agencies of the United Nations for evaluating and assessing their privatization policies and programmes. Ex ante evaluations should seek to establish the appropriate place and timing of privatization in structural adjustment programmes and the administrative capacity requirements for successful implementation. Ex post evaluations should be obtained in order

to feed back the findings to the management of the ongoing programme and ensure that the privatization dividend is fully realized by the general public.

150. With regard to the commercialization of SOEs, Governments should pay greater attention to the possibilities of performance improvement in parastatals not scheduled for sale or liquidation, and seek technical assistance as necessary from the international community, including the United Nations system.

151. With regard to regulatory policies, such policies should be stable as frequent changes add to investment risk and deter new investment. As there are many issues that arise in the organization and processes of regulation, international expertise should be consulted through bilateral and multilateral donors and the United Nations system.

152. With regard to private sector development, the United Nations system should assist Governments in the creation of an enabling environment for SME start-ups and expansion by special programmes targeted at this sector. These may include technical assistance in the choice of technology, modernization and quality control, business incubators, industrial parks, export development zones and collaboration with transnational enterprises in joint ventures, subcontracting arrangements, licensing and franchising.

153. With regard to military conversion to civilian goods and services, the United Nations should continue and expand its assistance to member countries concerned by collecting and analysing data, managing an information clearing house, developing enterprise conversion models from case-studies of successes and failures, and providing technical assistance support as required.

154. In conclusion and in view of the above and General Assembly resolution 48/180, the United Nations system should play a leading role in the provision of technical assistance and financial support to promote entrepreneurship and privatization.

ANNEX I

List of contributing United Nations organizations

Department for Economic and Social Information and Policy Analysis of the Secretariat

Department for Development Support and Management Services of the Secretariat

Economic Commission for Europe (ECE)

Economic Commission for Latin America and the Caribbean (ECLAC)

Economic and Social Commission for Asia and the Pacific (ESCAP)

Economic and Social Commission for Western Asia (ESCWA)

United Nations Conference on Trade and Development (UNCTAD)

United Nations Development Programme (UNDP)

United Nations Population Fund (UNFPA)

United Nations University (UNU)

United Nations Institute for Training and Research (UNITAR)

International Labour Organization (ILO)

Food and Agriculture Organization of the United Nations (FAO)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

International Civil Aviation Organization (ICAO)

World Bank

Universal Postal Union (UPU)

International Telecommunication Union (ITU)

International Fund for Agricultural Development (IFAD)

United Nations Industrial Development Organization (UNIDO)

International Atomic Energy Agency (IAEA)

ANNEX II

List of publications by United Nations organizations on entrepreneurship, privatization, demonopolization and administrative deregulation

Department for Economic and Social Information and Policy Analysis of the Secretariat

"The New Policy Focus on Enterprises in Transition Economies", in World Economic and Social Survey 1995 United Nations, (E/1995/50).

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"Integration and privatization in the oil industry", in World Economic and Social Survey 1994 (United Nations publication, Sales No. E.94.II.C.1).

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"Entrepreneurship and the development challenges of the 1990s", in World Economic Survey 1992 (United Nations publication, Sales No. E.92.II.C.1).

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"Economic Reforms in Centrally Planned Economies and their Impact on the Global Economy", in Journal of Development Planning, Special Issue, No. 20, 1990 (United Nations publication, Sales No. E.90.II.A.9).

"Entrepreneurship and Economic Development", in Journal of Development Planning, Special Issue, No. 18, 1988 (United Nations publication, Sales No. E.88.II.A.13).

Department for Development Support and Management Services of the Secretariat

Entrepreneurial Development through Small Industry, a TSS1 report.

Enterprise Management in Transitional Economies (forthcoming).

Performance Contracting for Public Enterprises (United Nations publication, Sales No. E.95.II.H.2).

Interregional Workshop on Development of Small and Medium Enterprises in Developing Countries in Transition (papers and proceedings of the meeting held at Hanoi from 30 March to 1 April 1994) (forthcoming).

Methods and Practices of Privatization (INT-92-R82) 1993.

Performance Contracting for Public Enterprises, a review and analysis of global experience to date (forthcoming).

Privatization of Public Sector Activities, the proceedings of the Stockholm Conference and Workshop, with a focus on telecommunications, energy, health and community service, September 1994 (forthcoming).

Restructuring the Military Industry: Conversion for Development of the Civilian Economy (1993). An expert meeting organized by the Department for Development Support and Management Services, and a publication by the China Association for Peaceful Use of Military Industrial Technology and the Department.

Economic Commission for Europe

Published in the annual Economic Survey of Europe, the ECE secretariat has addressed a range of issues related to privatization and restructuring in transitional economies. Property rights and privatization appeared in a special chapter in the 1992 Survey; industrial policy and progress in privatization in the 1993 Survey; restructuring of State-owned enterprises in the 1994 Survey; and private sector development in the Baltic States in the 1995 Survey.

Economic Commission for Latin America and the Caribbean

Reports on small/medium-sized firms

Modernity and the SMI in Latin America (available in Spanish and English).

Small and Medium Enterprises. Some Aspects (available in Spanish).

The Financing of Small and Medium Industry (available in Spanish).

Support for industrial associations and their new tasks in the context of an open economy. An 18-minute video and a written report (in final editing) on the diffusion in Latin America and the Caribbean of the main proposals included in the video (available in Spanish).

Studies on privatization

The Restructuring of Public-Sector Enterprises: The Case of Latin American and Caribbean Ports (available in Spanish and English).

Privatization in Argentina: Micro- and Macro-Economic Impacts (available in Spanish).

The Privatization of Telecommunications in Argentina (available in Spanish).

The Privatization of Aerolineas Argentinas (available in Spanish).

The Privatization and Deregulation of the Oil Sector in Argentina (available in Spanish).

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Economic and Social Commission for Asia and the Pacific

Private sector development and privatization

Industrial Restructuring in Asia and the Pacific, March 1991. A comprehensive study containing several chapters on private sector development and related topics.

Improving Managerial and Technical Efficiencies of Public Sector Industries and Public Enterprises, including Privatization, in Asia and the Pacific, 1992.

Regional, subregional and country studies from the regional seminar on Promoting International Competitiveness and Efficient Resource Utilization in Manufacturing in Asia and the Pacific, from 17 to 21 December 1991 in Beijing.

Background papers from the regional seminar on Investment Promotion and Enhancement of the Role of the Private Sector in Asia and the Pacific, from 26 to 30 January 1993 at Dhaka.

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Study on Importance of Promoting Small and Medium-Sized Enterprises in Asia and the Pacific, 1993.

Annual Small and Medium Scale Industry Bulletin.

Economic and Social Commission for Western Asia

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United Nations Conference on Trade and Development

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Report of the Ad Hoc Working Group on Comparative Experiences with Privatization on its fourth session, United Nations Conference on Trade and Development, Geneva, 5 to 8 April 1994 (TD/B/40(2)/20 and TD/B/WG.3/15).

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Concentration of Market Power, through mergers, take-overs, joint ventures and other acquisitions of control, And Its Effects On International Markets, in particular the markets of developing countries, United Nations Conference on Trade and Development, 1993 (TD/B/RBP/80/Rev.2).

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International Labour Organization

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- Workbook (1986, 83 pp.) (ISBN 92-2-105340-7)
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The Practice of Entrepreneurship, by Geoffrey Meredith, Robert Nelson and Philip Neck (1982, 205 pp.) (ISBN 92-2-102846-1 and ISBN 92-2-102839-9).

Training Entrepreneurs for Small Business Creation: Lessons from Experience, by Kenneth Loucks, Management Development Series No. 26 (1988, 137 pp.) (ISBN 92-2-106343-7).

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Interactive Contractor Training, Model 1: Estimating and tendering; Model 2: Project Planning; Model 3: Site Productivity, by Tor Hernes, ed. Derek Miles, 1994 (ISBN 92-2-109159-7).

Pricing and Bidding, Improve Your Construction Business
- IYCB 1-workbook, 1994 (101 pp.) (ISBN 92-2-108748-4)
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Training Contractors for Results: A Guide for Trainers and Training Managers, by Tor Hernes, ed. Derek Miles, 1988 (114 pp.) (ISBN 92-2-106253-8).

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